

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 DODE-00 PA-02 PRS-01 /099 W

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R 240810Z JUL 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5455

UNCLAS BEIRUT 9375

E.O. 11652: N/A

TAGS: ECRP, EFIN, LE

SUBJECT: FINANCE: LEBANON 1975 BUDGET APPROVED

REF: CERP 0200; BEIRUT A-144 JULY 8, 1974; 4024  
MARCH 28

SUMMARY. PARLIAMENT JULY 22 APPROVED FY AND CY 1975  
STATE BUDGET OF LL 1,636 BILLION, INCLUDING DEFICIT OF  
LL 140 MILLION WHICH APPARENTLY MUST BE COVERED BY  
NEW TAXES. END SUMMARY.

1. SEVEN MONTHS INTO FY 1975 (WHICH IS FY 1975),  
PARLIAMENT JULY 22 APPROVED UNBALANCED 1975 STATE  
BUDGET CALLING FOR EXPENDITURES OF LL 1,636,842,500,  
REVENUES OF LL 1,496,775,000, DEFICIT OF LL 140,067,500  
(TODAY \$1-LL2.28). DEFICIT DUE LARGELY TO GOL SUB-  
SIDIES OF SOME LL 1972 MILLION FOR WHEAT, SUGAR AND  
TO PARTIAL EXTENT RICE. SUBSIDIES INTENDED STABILIZE  
RETAIL PRICES THESE STAPLES DESPITE HIGH WORLD PRICES.

2. UNTIL BUDGET ACTUALLY PROMULGATED FEW DETAILS  
AVAILABLE. ACCORDING PRESS, LARGEST APPROPRIATIONS  
ARE DEFENSE MINISTRY (LL 315 MILLION), EDUCATION  
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MINISTRY (LL 263 MILLION), PUBLIC WORKS MINISTRY

(LL 271 MILLION). MINISTRY OF ECONOMY AND COMMERCE ALLOCATION (MAINLY THE ABOVE SUBSIDIES) IS ABOUT LL 175 MILLION AND INTERIOR MINISTRY (INTERNAL SECURITY) ABOUT LL 120 MILLION. ALL OTHER MINISTRIES LESS THAN LL 100 MILLION EACH.

3. SO-CALLED DEVELOPMENT SECTION (SECTION III) APPEARS TO BE ABOUT LL 234 MILLION, LL 20 MILLION OR SO ABOVE 1974. OF THIS, HOWEVER, DEFENSE MINISTRY HAS ABOUT LL 52 MILLION, USUALLY DEVOTED TO EQUIPMENT, NOT ECONOMIC DEVELOPMENT. AS REPORTED EARLIER YEARS, DEVELOPMENT SPENDING TARGET SELDOM REALIZED.

4. BASIS AVAILABLE DETAILS, BUDGET DOES NOT RPT NOT APPEAR CONTAIN NEW DEPARTURES BUT AT 16-17 PER CENT OF PROBABLE 1975 GNP RPT GNP MAY TAKE SLIGHTLY LARGER SLICE NATION'S RESOURCES THAN USUAL 14-15 PER CENT.

5. CHIEF INTEREST CENTERS ON DEFICIT, WHICH IN LEBANON REFERS ONLY TO SECTIONS I AND II COVERING SALARIES, EXPENDABLE SUPPLIES AND MINOR CAPITAL PURCHASES. UNDER CONSTITUTION, COMBINED REVENUES AND EXPENDITURES THESE TWO SECTIONS MUST BE BALANCED BUT THIS YEAR ARE NOT RPT NOT. (SECTION III EXPENDITURES INTENDED TO BE FINANCED BY BORROWING.) PREMIER KARAME THEREFORE TERMED BUDGE UNCONSTITUTIONAL, ACCORDING PRESS, BUT OTHER OFFICIALS DISAGREED. PARLIAMENT NOW DUE TO CONSIDER NEW TAX LEGISLATION TO COVER DEFICIT. IF APPROVED BEFORE BUDGET PROMULGATED CONSTITUTIONAL PROBLEM MAY BE AVOIDED. IN TERMS ACTUAL 1975 EXPENDITURES, BUDGET MAY END UP BALANCED SINCE FOR SEVEN MONTHS GOL HAS OPERATED ON MONTHLY CONTINUING RESOLUTIONS WHICH ARE SUPPOSED TO BE LIMITED TO 1974 BUDGET LEVEL AND TO ESSENTIALS

COMMENT: COMING ON THE HEELS OF ECONOMIC SLOWDOWN CAUSED BY SPING CIVIL DISTURBANCES, NEW TAXES WILL BE EVEN MORE UNPOPULAR THAN USUAL BUT DO NOT RPT NOT APPEAR TO REPRESENT EXCESSIVE BURDEN. MAJOR CAUSE FOR CONCERN IS UNCERTAIN OUTLOOK FOR SORELY-NEEDED PUBLIC UNCLASSIFIED

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INVESTMENT IN DEVELOPMENT PROJECTS, SINCE MOST PUBLIC EXPENDITURE SEEMS TO BE EARMARKED FOR CONSUMPTION. GODLEY

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET, CERP 0200  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BEIRUT09375  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750255-0446  
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**Line Count:** 110  
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**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 74 BEIRUT A-144  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CollinP0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 FEB 2003 by ThomasVJ>; APPROVED <18 MAR 2004 by CollinP0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCE: LEBANON 1975 BUDGET APPROVED  
**TAGS:** ECRP, EFIN, LE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006